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THE EFFECTS OF A DEPRECIATED COINAGE,

BY

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The motto that this country should have a money "as "good as gold and plenty of it" is generally accepted, and is adopted by gold and silver men alike, with this difference: The gold men believe that a money standard subject to as little variation as possible, by which values may be computed, exchanges effected and contracts fulfilled with uniformity and equity, is of the first necessity to every well-regulated government. That experience has proved gold to be the least variable and best adapted to the purposes of a monetary standard, having the advantage of being used by nearly all the nations of Europe. That, therefore, the United States should adopt and maintain a gold standard and pay its obligations in this universally recognized medium.

The silver men ostensibly claim, that these manifest advantages are not inherent in gold alone, but that, by proper legislation, they can be conferred upon silver, in spite of its depreciation in the markets of the world. They profess to believe that under their maneuvering, by some sort of legislative legerdemain, the margin between gold and silver can be wiped out, without costing anybody anything—indeed, giving everybody something to boot—and now, backed by the endorsement of a great political party, are appealing to the country for the privilege to try this mischievous experiment. Apparently they are unmindful of the fact that there is scarcely a government in the world that has not some time in its history made similar attempts to foist token money upon its people in excess of its real value, and that these

attempts have invariably plunged them into financial quagmires from which they have only emerged after much suffering and defilement.

In view of this it may be worth while briefly to review the record; to give some of the reasons why all efforts to make a part equal to the whole must of necessity fail, no matter how strongly they may be backed; to show how pitilessly such fallacies have time and again been exposed by the stern logic of experience.

In primitive days the parties to a trade had first to agree as to the quantity and quality of the articles to be exchanged. When gold and silver were first included in the commodities, they were, along with other metals, in an unfashioned state, and the process of barter was carried on with them precisely as with more bulky and inconvenient articles, so that at each transfer it became necessary to determine their quality and quantity, that is, their purity and weight, by the crude methods which then obtained. Such is still the case among some of the far-away, half-civilized nations, and in the early days of gold digging in California and Australia "nuggets" and "dust" were in common use as currency.

Even with modern appliances the work of assaying is one of difficulty and nicety, and it must have been impossible for primitive traders to reach anything but rude approximations. So that the necessity of devising means by which the weight and fineness of a piece of gold or silver could be easily determined was early felt.

The first forms which could be called by the name of money were ingots in various shapes, stamped with the seal of the ruler as a certificate of the weight and fineness of the piece, no attempt being made to so fashion the coin as to guard against clipping. The early pieces were stamped on but one side, and it was only by very gradual steps that the handsome circular pieces which we know as coins were evolved. These are still defined by Jevons as "*ingots* of which the weight and fineness are certified by the integrity of the designs impressed upon the surface of the metal."

Gold and silver, from their physical properties, are the most fit of all known substances for mediums of exchange. From their general use as money they are commonly spoken of as measures of value, and there is no objection to this expression if it be understood to mean that they constitute a term or factor constantly used in arriving at the ratio which for the time exists between the various articles of commerce, that is to say, in fixing prices. But it must be remembered that this factor is not constant. As a matter of fact, gold and silver measure the value of commodities in precisely the same way that the commodities measure the value of gold and silver. Value is based on utility, but utility is not intrinsic in any substance. A thing is useful so far as it is supplied in needful quantity at the right time and place—the degree of utility constantly varying. And so, although we may get the value of x (gold and silver) in terms of y (other commodities), and the value of y in terms of x, both x and y remain unknown and variable quantities, however glibly we may talk about them.

The same difficulty confronts us here that is met in all attempts at the ultimate analysis of things, none the less it is imperative that the standard which comes the nearest to fixity should be adhered to. To define a pound avoirdupois is as difficult as to define a pound sterling; but commerce and science are alike dependent upon adherance to certain standards of weight, and upon the assumption that the law of gravitation, by which weight is determined, is inflexible.

Until the indestructibility of matter and the persistence of force were demonstrated there was nothing absurd in the proposition that matter could be created and annihilated, force produced and destroyed, and men of genius and learning vainly sought to turn dross to gold, to find the elixir of life, to construct machines which should create their own force. Modern chemistry has dispelled the dreams of the alchemist; physiology has determined the laws of waste and supply and fixed pretty definitely the limitations of life, and the science of physics has

shown the fallacy of perpetual motion. These things are now pretty generally understood, although a lunatic is still occasionally to be found who wastes his life because of his inability to comprehend them; but it is not so generally recognized that the principle of the correlation of forces is universal; that it applies rigidly to all human activities; and that it is quite as impossible in economical dynamics as elsewhere to get something for nothing.

That coins are simply stamped bullion, and that the pur chasing power of metallic money is certain in the end to be regulated by the value of the pure metal only, is now conceded by economic students—but the establishment of this principle is comparatively recent. In early times extraordinary delusions prevailed on this subject, nor are they yet wholly dissipated.

This truth holds, however, and has seldom had stronger demonstration than has been given by the recent disastrous efforts of our Government to disregard it. It is chiefly the attempt "to maintain the two metals (gold and silver) on a *parity* with each other upon the present legal ratio" in defiance of economic laws which has brought the Treasury of this great nation to the verge of bankruptcy.

The stamping of bits of metal has always been claimed to be a prerogative of the ruler and to supply the people with coin a function of the government; only so could any long-continued debasement be possible; and history shows that full advantage has been taken of the opportunity in times gone by.

The coins of all countries seem to have been called by the same name as the weights used in them, and to have originally contained the quantity of metal indicated by their names. The coins used in Greece, Italy, France and England, weighed in the first instance a *talent*, an *as* a *livre* or a *pound*.

The Roman *as*, or *libra*, at first contained twelve ounces of copper, and was divided into twelve parts or *unciæ* (ounces), a division which was maintained for a long time. It is not known who first falsified the certificate and gained an illusory augmentation of wealth by still calling

a reduced weight of metal an *as*. But the fraud succeeded for a time, and was worked so assiduously by successive emperors that by 175 B. C. the *as* contained but half an ounce of copper, or $\frac{1}{24}$ part of its original weight, which, in so cheap a metal, was about as far as the degradation could go. The principal silver coin was a *denarius*, rated at ten *asses*, and weighing one-seventh of an ounce. Its weight was tolerably well maintained; but here adulteration came in and was carried to its utmost extent, so that eventually the imperial *denarii* came to be copper coins only plated with silver. Similarly with Roman gold. When first coined, 204 B. C., the *aureus* weighed $\frac{1}{40}$ part of a pound of pure gold. Through various degradations it came to be only $\frac{1}{72}$ part of a pound in weight, eight-tenths fine.

The French money unit, the *livre*, up to the reign of Charlemagne contained a pound weight of pure silver divided into 20 *sols*. It was reserved for Philip I. to violate this standard, and his example was followed with such zeal that by the time of the Revolution the livre contained less than $\frac{1}{78}$ part of the silver which it had in the eleventh century.

Nor is this an extreme case. In 1220 the Spanish *maravedi* weighed 84 grains of gold, and its value was equal to $3.50; it descended until it became a small copper coin valued at one-third of a cent.

In like manner the German *florin* was originally a gold coin worth $2.50; when abolished it was 40 cents' worth of silver.

These examples are taken from the history of the most stable and best governed European States, and from them may be inferred the swindling rapacity with which this particular fraud was worked during the Middle Ages, causing it to fall into the deepest disrepute even in those early days.

The Chinese have illustrated in the extremest manner the length to which loose views concerning money can be carried. The history of their currency presents that mingling of the grotesque with the tragic which com-

monly marks their chronicles, as viewed through Western eyes. Coined money was known to them as early as the eleventh century before Christ, but their failure to comprehend the principles upon which a currency should be based led them into all sorts of extravagances, attended by disorder, famine and bloodshed. Coins came at last to be made so thin that 1,000 of them piled together were only three inches high; then gold and silver were abandoned; copper, tin, shells, skins and paper were given a fixed value, and used until, by abuse, all the advantages to be derived from the use of money were lost, and again and again the people went back to barter. They cannot now be said to have a coinage; 2,900 years ago they made a cast-brass or copper, round coin with a square hole in the middle, and they use it yet. It is the well known *cash;* it is valued at a little more than a mill, has to be strung in lots of 1,000 to be computed with any ease, and is the only currency of the empire. Even this is counterfeited. Mexican and American dollars are employed in China, being necessary for larger operations, but they are current simply as bullion, faith in the weight and fineness, indicated by the stamp they bear, having become established. Recently some of the viceroys have been coining local silver *taels* (now worth about 1,300 cash), sanctioned by Imperial edict. Already these issues have brought on a money crisis, the outcome of which, it is impossible to predict.

The coinage of England has suffered less than that of any of the older countries. Still its debasement was bad enough, and begot such an amount of misery and trouble as to make its history an object lesson of value. At the time of the Norman Conquest the silver or money pound weighed 12 ounces, the system of coinage being the same as that of Charlemagne, and it was continued untouched until the year 1300, when the standard was tampered with by Edward I. By increasing the number of shillings made from a pound he set a pernicious example, which was followed only too well for 300 years, so that in 1600 the pound troy of silver was coined into 62 shillings.

Up to the reign of Henry VIII., although the weight was decreased, the sterling fineness of the coins was not debased; but that eminent head of the Church, after dissipating the great wealth which he received from his father, resorted to this disgraceful means to supply money for his extravagance. He so adulterated and degraded the silver coinage that the pound sterling contained but 4 ounces of silver, £2. 8 s. of it being the equivalent of the original pound sterling. Under the reigns of his children, Edward VI., Mary and Elizabeth, a reformation was begun, and finally carried out under the reign of the latter, so that it was her boast "that she had conquered now that monster which so long had devoured the people."

Gold coinage was begun in the reign of Edward III., and suffered a series of changes, but it occupied a secondary place in England's money system during the period referred to.

The reign of James II., bad enough in all ways, was in nothing more disgraceful than the state to which he brought the coinage of Ireland during his brief kingship there. His coins of gun metal, copper, brass, pewter, the sorriest tokens, were made unlimited tender and forced into circulation by every device. His loyal Irish subjects were the chief sufferers from this swindle, for they held nearly all of his worthless money. His successors seem to have, to a greater or less extent, assumed that inferior money was good enough for this subject country, for it was not until 1825 that Irish money was elevated to the English standard.

As James was compelled to abandon England before his necessities became very great, her money escaped degradation.

Of necessity, tampering with money has always been accompanied by tyrannical laws intended to make the debased coin pass for just as much as the pure. Nothing would be gained unless this could be done. Mint officers were sworn to secrecy, but the melting pot revealed the fraud. Proclamation was made by Edward II., commanding, under heavy penalties, that money should be

kept current at the stamped value, and that no one should enhance the price of his goods on that account, for it was the King's pleasure that coins should be kept at the same value they were wont to bear! Later, in the reign of Edward VI., when the debasement had reached its lowest depths, a *maximum* was set on the price of corn, and those who refused to carry their grain to market were to be punished.

Absurd as such compulsory laws may seem, they are perfectly logical outcomes of attempts to lower the standard of money. There is nothing to be gained by debasing coinage unless the operations of commerce can be regulated upon the assumption that a part *is* equal to the whole. This, at least, seems to be correctly understood by the advocates of free silver, for along with unlimited coinage and full legal tender, they propose to suspend freedom of contract and prohibit the making of obligations payable in gold. It seems incredible that it should be gravely proposed to revive this sort of barbarous, fourteenth-century lawmaking at the close of the nineteenth century, yet it is one of the planks of the Chicago platform, which has many—let us hope not too many—supporters.

It is not to be expected that a higher standard of honesty will be found among subjects than is held to by their rulers. In England, at the time referred to, the tampering begun by her sovereigns was followed by the people on their own account, and the nature of the coins made this an easy matter. In making the coins the metal was divided by shears and afterwards shaped and stamped by hand. They were not exact in size or weight; some contained more, and some less, than the correct quantity of silver; few pieces were exactly round, and, as the edges were smooth, nothing was easier than to take a slight paring from the pieces as they passed from hand to hand.

Coin-clipping was discovered to be profitable and comparatively safe, and was practiced with great industry. Of course the Government made every effort to suppress this interference with its function. As early as the reign

of Elizabeth coin-clipping was prohibited on pain of life, and limb, and the forfeiture of all lands. But the practice was too lucrative to be thus checked, and by the time of the Restoration the larger part of the silver in circulation was mutilated.

Macauley has described in most graphic manner this episode in the history of British coinage. All trade and industry was deranged by the confusion which arose from the disgraceful state of the money. "Nothing could be "purchased without a dispute. Over every counter there "was wrangling from morning till night. The workman "and his employer had a quarrel as regularly as the Sat- "urday came round." "It may well be doubted whether "all the misery which had been inflicted on the English "nation in a quarter of a century by bad Kings, bad Min- "isters, bad Parliaments and bad Judges, was equal to "the misery caused in a single year by bad crowns and "bad shillings."

The average shrinking on the pieces in circulation amounted to nearly or quite 50 per cent. The rigorous and cruel laws which were passed were ineffectual, and, while scores of miserable wretches were dangling from the gibbets, clipping was as rife as ever.

Clipping is here referred to at some length, because it differs from other degenerations of coinage only in respect to the parties by whom it is done. It is reducing the value of coin without authority, and is the least mischievous of the two forms, because, as no one is compelled to take clipped coins, the loss is forced on no one.

The first effort to correct the evils which had thus arisen, was made by furnishing a large supply of fresh, honest-milled coin. The politicians of that day believed that, if the people were given plenty of new and good money, it would soon displace the old; and so the mints were run to their utmost capacity, but the new coins vanished from sight as fast as they were put out. Gresham's law that "bad money drives out good money, "but that good money cannot drive out bad money," although not then formulated, worked inexorably.

Statesmen marveled that men would not pay out 12 ounces of silver when 10 could be made to serve the purpose, but they persistently refused to do so.

By the time of William III., the necessity of adopting measures which should be effectual was generally felt.

It was evident to all that the old coinage must in some way be supplanted by a new, but the manner in which this should be done was warmly disputed. Mr. William Lowndes, then Secretary of the Treasury, was ordered to make a report and did so, recommending that the standard of the new coin should be depreciated, by making the new shilling worth nine pence or thereabouts. He asserted and attempted to prove "that making the piece "less, or ordaining the respective pieces (of the present "weight) to be current at a higher rate, might equally "raise the value of silver in our coins;" and seriously argued that, if an ounce of silver were but cut up finer, other nations would be induced to sell their products for a smaller number of ounces. He had a considerable following, composed, Macauley says, "partly of dull men "who really believed what he told them, and partly of "shrewd men, who were perfectly willing to be author-"ized by law to pay a hundred pounds with eighty"—a description which fits with accuracy the present advocates of free silver at a ratio of 16 to 1.

Lowndes' fallacies were exposed with great ability by Locke, and fortunately wiser counsels prevailed. A recoinage was ordered, the old standard was maintained, and the clipped coins were called in, the loss falling, as it should, on the public at large. Space forbids the introduction here of the arguments by which this wise course was sustained. The controversy is interesting and instructive, and deserves attention, for it was revived 116 years later when Bank of England notes became depreciated, and is raging now that silver has undergone a similar, though much greater, decline. It is true the situation is not precisely the same, but the principle involved is; the arguments against degrading an established coinage, or re-

storing or maintaining a degraded one, whether the degradation be caused by artificial or natural causes, are substantially the same.

It was one of the compensations of the disordered state of our finances growing out of irredeemable war issues, that, coin being virtually out of circulation, we were enabled to put our coinage on the footing aimed at by all great commercial nations. This was done by the Act of 1873, without incurring the loss and distress which such reformations are apt to involve. It was largely undone by the Bland Act of 1878, though the mischief has been minimized thus far, by the perilous efforts of the Government to maintain the parity of the metals at the present legal ratio, efforts which would speedily become futile with the adoption of free and unlimited coinage. Not only would the United States Treasury be unequal to such a task, but all the treasuries of all the nations of the world would be bankrupted by a general or international adoption of so wild a scheme.

Even if it be admitted that free coinage will, as is claimed, enhance the price of silver until the silver dollar is equal to the gold dollar, that Mr. Bryan is right in claiming that the United States is able to and can make the price of silver $1.29, by buying all that is brought to it at that price, who, then, is to be benefited? Clearly the holders of silver, and they only, will reap the advantage. Is the disposable stock of silver held by the class of men into whose pockets the Western and Southern voters are anxious to legislate money? American mine-owners hold a large amount in the shape of ore. The Bank of France holds $242,570,000. The Bank of Germany, $72,007,000; of Austro-Hungary, $62,196,000; of Spain, $50,489,000, and similar though smaller hoards are held throughout Europe. Not voluntarily held, however; they are enforced and unavoidable holdings, and the holders would all be deeply grateful to whomsoever would relieve them. It is from these sources the silver would flow should the United States decide to assume the function of pulling chestnuts

for the entire commercial world. These are the men who would profit by free coinage—provided that step should have the effect of putting the gold and silver dollar upon a par in real value. But the assumption that it would do so is without warrant. To prove that it is baseless, we need to go back but a little way in our financial history. When, in 1878, the Bland Act was adopted, those who procured its passage proclaimed, perhaps believed, that the purchases of silver by the Government would not only stop the decline in silver, but would restore the silver dollar from 90 cents, its then value, to par. Under that act, and the kindred measure of 1890. the treasury has acquired about $500,000,000 of silver, has been dangerously depleted of gold in trying to "maintain a parity," and to-day the silver dollar is worth 53 cents. One would suppose that this decline and its attendant consequences would give Mr. Bland and his associates pause. Not a bit of it. The patient has been brought very low indeed, under the treatment, but, like Doctor Sangrado, they insist he has not been bled enough, and sapiently prescribe further phlebotomy. But the parity argument is not seriously put forth by the advocates of free silver; it is only intended to quiet the scruples of "the dull men who really believe what is told them."

The real and thinly veiled—when not openly avowed—object, is to enable those who have debts to pay, to pay them at 50 cents on the dollar. Neither in motive nor in method does this differ from the disreputable frauds of the rulers who adulterated their coins that they might pay their debts more easily. Both the acts and the results are identical. The image, the superscription of the monarch, lied in the earlier example; in the modern instance the image and the superscription are no less lying ones. And the consequences would in nowise differ. Henry VIII. was enabled to cheat his creditors in precisely the same unscrupulous way that it is proposed the United States shall cheat theirs, by paying them in coins of diminished value; and the losses he entailed upon his subjects—far exceeding his own gains—are precisely those we should

suffer. All creditors are put in the same position as the creditors of the swindling government. Debtors are indiscriminately benefited at the expense of creditors. To pay the public debt in depreciated coin, whether it can be done legally or not, is to weaken, if not destroy, public faith. If they had a rational conception of what national credit is, this consideration alone would give the agitators pause. Our national credit stands in the very first rank, and with upright dealing can easily be maintained there. It would only be necessary to perfect the legislation recommended by the Chicago platform to put it on a level with credit of Turkey or Spain, or the defaulting States of South America.

And where would the gains and losses resulting from free coinage lodge?

A depreciated coinage would diminish the revenue of the Government by a far greater amount than would be saved by the payment of the bonds therewith, so that not only would there be no lessening of the burdens of taxation, but we would suffer from the loss of our reputation for national honesty, and a consequent loss of credit, both as a nation and as individuals. A depreciated coinage would cripple all institutions of learning and of charity that are supported by endowments; it would halve the assets of all of the savings banks and life insurance companies; and likewise all trust funds, no matter in what form they are held; it would defraud the prudent and frugal wholesale, for the fancied benefit of the improvident and reckless. Relatively, the loss will fall heaviest upon those who are too poor to get in debt, who work for wages or salaries—a class which includes the great majority of the people. Those to whom the familiar terms of "gold bugs" or "money shark" will in any degree apply will be found quite competent to take care of themselves. They live in the money centres; their finger is on the arteries of commerce, and they can watch the pulsations and guard against perturbations; in an unsettled condition of change they will be best able, because in the best position, to hedge against losses. Prices would, of

course, adjust themselves to a new standard, but the adjustment would not be so sharp and quick, nor exact as to cause the losses to fall where it is intended they shall fall. The "sharks," we may be sure, will get from under, and the brunt of the suffering will strike just where it does in most cases—upon the poor, the ill-informed, the unready.

All this is very trite, but it would seem that it cannot be reiterated too often.

Of the ability of this nation to pay its debts in full there is not the slightest question; this being so, it is essentially dishonest to seek to compound at 50 cents on the dollar; but if it be determined that it is necessary and right for the Government and other debtors to make such a composition; if it can be shown that it is a step dictated by a desire to execute impartial justice, we shall still be entitled to object to its being done by degrading the standard of money. It is an attempt to do by mean and paltry subterfuge that which, if done at all, should be done in a manly way. If debts are to be scaled, let it be done openly, and the dividends, whatever they may be, paid in money that is at par. Then the loss can be measured, and we shall escape the continuous losses resulting from a debased standard that would fall on debtor and creditor alike.

It is hard to understand how, after the expensive and prolonged experience of the derangement caused by two unequal kinds of currency, from which we emerged in 1879, there should be thousands who advocate a return to it. With one currency fit for carrying on our immense commercial transactions with other nations (for we must have gold for that), and another not so fit, we have a condition that is profitable to "money sharks" and brokers alone. If the sums which have, first and last, been paid by consumers in the way of commissions and premiums, the inevitable result of two unequal kinds of currency, could be stated, and it could be correctly shown by whom this tax has ultimately been paid, it would raise a party in favor of a single standard that would sweep everything before it. The tax has been levied indirectly and paid un-

knowingly and in driblets, but this has not lessened the burden of it—economic laws are none the less inexorable when their workings are obscure.

There are still those who believe in, or at least talk of, a bimetallic currency, with a ratio based upon actual values. It is remarkable that any one can believe in this sort of bimetallism in the face of the record of the prices of silver for the last twenty years. There are, perhaps, no moral objections to it, but there are economic ones, so grave that it may be dismissed as impossible. The advocates of the 16-to-1 ratio are more practical. They for the most part recognize that the issue they propose partakes largely of the nature of fiat money, and desire it on that account.

The lessons of history are conclusive: by no sort of financial jugglery can 50 cents be made equal to 100; all plans to that end are as futile as they are dishonest; yet, there is too much reason to fear that reliance cannot be placed on the clearness and rectitude of popular convictions, and that we may be called upon to vindicate, once more, the principles of monetary economy in the most painful and expensive way.

The "free silver" scheme, compounded of fraud and folly, is but a fresh manifestation of a mania that has at intervals possessed the minds of men throughout the history of civilization, its sway being invariably marked by ruin; and it will be deplorable indeed if this, its latest outbreak, should again compel resort to the merciless correction of natural laws.